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telephone and say I have left Hemdale, I'm now with Plaza, I look forward to doing business with you in my role at Plaza? How did that happen?

A. Well, as I mentioned before I think that's what happened. It may have been that I stayed in touch with him, I don't recall, but I do believe, I think it is probable that he contacted us after he started a new company. I honestly don't recall that.

Q. What was the first order that you received, you, WRS, received from Plaza?

A. I don't remember that, but the orders started small. Whatever it was it was a modest amount of money. As they got new titles and as they started expanding the distribution their orders increased, but our collections on account started slowing down. The bigger they got they had cash flow issues.

Q. Are there any documents or set of documents that you are aware of that are either in this room or perhaps elsewhere where you would be able to reconstruct the first set of orders from Plaza in the sense of what titles

EXHIBIT A

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they were for, what were the quantities and to whom those orders were shipped?

MR. GIBSON: Can I interrupt? Some of the stuff here --

MR. REILLY: You can look at some of the stuff here that is available. Don't answer until you look.

A. As I understand your question I don't think there was any reason for us to know that. As far as, I mean, once the manufacturing is done the next stage is collection, and once the bill is paid if the bill is paid in full the computer deletes the invoice because there is no reason to keep that. There would have been lots of records but not organized the way you are asking about. I will take a look through here and see if there is anything I can --

MR. GIBSON: I think at the very end there was a letter back in 1996.

THE WITNESS: On the bottom of this?

MR. GIBSON: Yes, the very bottom, there were records back in June 1996

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submitted to WRS an account application for the purpose of inducing WRS to provide duplication and fulfillment services to Plaza on a credit basis.

Do you see that statement in the Complaint?

A. Yes.

Q. By virtue of the letter that we just talked about where it appeared that the relationship between Plaza and WRS was established in August 1996 it appears that there was some commercial relationship that existed between WRS and Plaza prior to July 24, 1998?

A. Yes.

Q. Do you have any idea or concept of the volume of business that WRS did with Plaza between August 1996 and July 1998?

A. Someplace in these documents we have a statement. The March 31 statement shows that they had a balance of $66,000, so it would have been something in excess of that as a total amount of business over that time period.

Q. What year is the document that you

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are reading from?

A. 1997. This is dated March 31, 1997.

MR. SIEMINSKI: Let's mark that as Exhibit 3 please.

(Napor Exhibit No. 3 was marked for identification.)

Q. What I understand you to be saying in response to my question is that the volume of business had to be at least -- I was going to repeat the figure you gave me, but it appears that the total of this document Exhibit 3 is $121,000 and change?

A. I'm sorry, I was giving the current balance. Yes, that's correct, $121,972.

Q. Since that document is dated 1997 it would appear that the volume of business that WRS did with Plaza prior to July 24, 1998 was at least approximately $121,000?

A. Yes.

Q. Could have been more?

A. Yes.

Q. Doesn't appear that it could have been less based on the document you are holding?

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provide duplication and fulfillment services to Plaza on a credit basis.

My point is while you are looking through the documents it appears that Plaza was already doing a substantial amount of business -- I recognize substantial is subject to interpretation but $121,000 is fairly substantial -- and so Plaza was doing substantial business with WRS prior to July 24, 1998.

A. Yes.

Q. I'm trying to understand what the basis for account application was if in fact WRS already had an account open for Plaza as of July 24, 1998.

A. Well, again, I can't tell you if this is the first application. I can tell you that they did start small as a start-up operation and as they developed, as their business developed their business strung out because they were short on cash. They had a big job that they wanted to get done and maybe more than one job but they had John Herklotz's job, Giant of Thunder Mountain, and we are

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unwilling to provide any additional credit beyond what we had done without payment guarantees and additional documentation to protect us.

Q. So you asked Plaza to submit an account application, a copy of which is appended to the Complaint as Exhibit A?

A. My recollection is that we wanted to formalize what we were and put protections in place because we were running into larger amounts, larger credit amounts and credit requests, so whatever we had was not adequate to give us a comfort level to provide them any additional credit.

Q. As of July 1998 was there a substantial account receivable that was on your books that you were concerned about?

A. As of this statement, Exhibit 3, which was dated March --

MR. REILLY: That is '97. His question was --

A. Isn't that what we are talking about?

Q. Actually, I said as of July 1998.

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Mr. Reilly's observation, which I'm happy to have you answer too, do you have any document that you can refer to to tell me whether there was an account receivable owed to WRS by Plaza as of July 1998 and if so what was that amount?

MR. REILLY: May I show him the Answers to Interrogatories which has the documents in it?

MR. SIEMINSKI: Sure.

A. Can you repeat the last question please.

(Last question read back.)

BY MR. SIEMINSKI:

Q. Sometimes the answer to a question is I don't know. Apparently this is one of those situations. I'm not trying to be overly negative, but we have three people now poring over an unorganized set of documents for ten minutes and nobody can find the answer to the question, so it may be here in this room and it is your recollection you don't have an answer to the question right now?

A. Okay. Yeah, we can't find what you are asking for in July.

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Q. Of course the reason why I was pinning it to July is that that is a date that has some prominence in the Complaint which was filed on behalf of WRS, so I wanted to state that for the record.

What did WRS do in July 1998 or any time a month prior to that or a month after that to assess Plaza's creditworthiness?

A. We had made a decision that we weren't going to do any more work unless we got paid or unless we had significantly more collateral. That's my recollection.

Q. This is in the context of you had done some significant amount of business with Plaza prior to July 1998. There was some request whether it was tied to Giant of Thunder Mountain or otherwise for an order that was substantially larger than any prior single order by Plaza; is that right?

A. That's right, and also they had a balance that was behind. I don't know what the balance was in July, but it was a past due balance indicated in earlier statements in these documents.

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dubs of the Giant of Thunder Mountain video? The reason I'm asking is in Interrogatory Answer No. 1 it would suggest that it was in May 1998 and Answer No. 2 suggests that it was April 1998 and I'm trying to establish when that occurred.

A. I am looking to see when we got the order, but the discussions preceded the order and the requirements for our accepting an order were that we had to be paid the old balance and be provided additional collateral. We could not extend and would not extend any more credit that are for that without being assured we were going to be paid.

Q. You have testified that there was a request to produce an order that was substantially in excess of prior orders and you had a concern about the prior balance.

Are you certain that that request was for duplication of Giant of Thunder Mountain? Are you certain of that?

A. Am I certain of what?

Q. That the request that caused you to have the prior balance paid off and provide

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additional collateral was associated with a request by Plaza to reproduce quantities of the Giant of Thunder Mountain video?

A. Yes, as well as to collect the past due balance, and the order it looks like that we finally entered here which has been talked about prior to the order coming in, it looks like it is dated April 29, 1998, actually the dubbing order was not generated until May 1, we may not have had the documentation at that time, their purchase order was dated April 24.

MR. REILLY: Look through that before you testify because there are a number of documents.

A. Here is another purchase order dated April 29. There was an increase on the purchase order dated April 30.

Q. Those are all Giant of Thunder Mountain?

A. Yes.

Q. Were there any other videos, any other titles in this time frame that Plaza was requesting reproduction of?

A. Probably, but nothing of this

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services?

A. Either Joe Gerek or me.

Q. Anything of note in the documents that you are taking a look at?

A. The order was shipped it appears on the 23rd of April, but there is a note here from Plaza dated July 14. It says it is attached, so this would have been referring to a different order. That was not the screeners. This is attached to the wrong one.

Q. Jack, what quantity of video cassettes was shipped on April 23, 1998?

A. It looks like 10,000

Q. I take it we have to look through various invoices or shipment records to determine what videos were sent versus being able to refer to one document that would indicate that in sort of a spreadsheet form?

A. That's correct.

Q. As you had just indicated, it appears from a document that you are referring to now that there was approximately 10,000 Giant of Thunder Mountain videos shipped on April 23, 1998?

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A. That's correct.

Q. What was the amount that was billed for that or invoiced for those videos?

A. Invoice 117027.

MR. REILLY: That wouldn't be it. Wouldn't it show on there (indicating)?

THE WITNESS: Yes, it would.

Q. It appears that the earliest invoice on this printout is May 15, 1998.

A. Once an invoice was paid, then the computer takes them off just like credit statements, but if we have an earlier statement it might show that. I did see some statements somewhere. $18,924.77.

Q. What are you reading from?

MR. REILLY: What are you referring to?

A. I didn't hear your question.

Q. What document were you reading from?

A. Our statement of November 30, 1999.

Q. That refers back to the invoice?

A. Invoice for these 10,000 screeners of Giant of Thunder Mountain.

MR. REILLY: Does it show the

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were entitled to it. I think he in good conscience was looking to confirm what did he owe, and I think he was also looking for some reason why he didn't have to pay it, so I just made it available to him.

As I recall, he and his attorney were out there, the attorney was with him a day and a half or two days. John was there another day on his own and then he expected to stay there until he completed this, but then he said he had to go back to California for something and he would be back in a couple weeks and left all the stuff out.

That got delayed a couple times and I think his attorney came out one day. As I recall, I think it was the attorney was going to copy something, John may have, I don't remember, but again they were all things that could be manufactured. We knew what they were. There is no magic about these numbers and invoices and statements.

Over the time, and we haven't been a fully functional business, it is a 200,000 foot building with a lot of stuff in it and I have a

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handful of employees, we are liquidating equipment, consolidating accounts, cleaning up space so we can liquidate, and somewhere along the line we have lost track of some of the paperwork because I remember it being much more voluminous than we have now, but I also don't think there was anything in there that is germane. I think we have all the important stuff here.

Q. I honestly don't want to make this into an exercise of looking through documents for extended periods of time this afternoon --

A. I really appreciate that. Thank you, sir.

Q. -- but is there any document that you can put your hands on quickly here this afternoon that would indicate that as of August 31, 1998 Plaza owed a total of $685,379?

A. How about this one that actually shows that as of that date this $720,679?

MR. REILLY: What you are referring to is an account statement of August 31, 1998; is that right?

A. I think what happened is we picked

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Paragraph 19 of the Complaint a set of orders that reflect that, production work orders that reflect that, shipping orders perhaps that might reflect at least the number of videotapes that were attendant to that figure, and then finally there should be invoices that support that amount. Maybe all that documentation exists and maybe it is all in the room, but it is not here in one neat package and that's part of what I'm trying to get to.

A. The reason it is not part of one neat package, John, is that there were lot of people who have been through it including Mr. Herklotz and his attorney in the beginning, and this stuff has been shuffled back and forth and moved and disorganized and I haven't taken the time to put it in, and I thought once we gave you what you asked for perhaps one of your staff would have put it together sequentially by date.

We did provide copies of all the invoices and Plaza has received statements from the time this was going on, '97, '98, '99, 2000. If there were any questions of accuracy

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shipping things to?

A. I don't know all of them because I didn't look at all of them, but just thumbing through here it appears that these are invoices that were generated either by us or by Plaza to their customers. We must have done them.

Q. It shows Plaza Entertainment, Inc. located at 1,000 Napor Boulevard.

A. Yes. When Plaza was having trouble getting their records straight and collecting money and paying us and so forth and they were having trouble keeping their staff on is when we made the agreement to take over those services for them.

Q. I thought that was in 1998, October 1998 was the Services Agreement when you took over. Were there other invoices? The other invoices sent before that were apparently going out from Plaza and then the receipts were going to a lock box in California or WRS?

A. I think we are maybe talking about two different service agreements. One of them was an agreement that guaranteed we were going to get paid which Herklotz, von Bernuth and

Parkinson signed --

Q. In 1998?

A. -- in 1998 that we called the Services Agreement. Then when they asked us to take over the physical distribution, the fulfillment of their stuff, we were generating invoices and trying to collect money for them, and that is when the proceeds of that went into a lock box.

We had an account with Plaza and then we had a Plaza business if you will set up with this where when people would order Plaza's business at 1000 Napor Boulevard we would manufacture, ship and bill and the proceeds went into a lock box. The cost, and I don't remember the exact percentage, but the manufacturing costs came off the top and then we split the proceeds.

Q. Are we missing a subsequent agreement or is this all under the 1998 agreement?

A. I'm not sure there was a formal additional agreement for doing that. This is when earlier we were asking about how did that

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happen and I had mentioned that Plaza said they had accounts receivable of $2.2 million that kept eroding every time we asked.

We said look, maybe we can help you with this and about a year later they said we are just not getting it done, why don't you do that.

At that point I sent a couple people to the West Coast to get those records and find out what was going on. They spent four or five days there doing this but the records were incomplete, disorganized, brought back what they could. They had a lot of pieces of it missing. Some of it was at Plaza's Fulfillment Center in Arkansas as I recall, but these invoices and statements were generated as a result of our helping them do that.

There was never anything like we were never able to collect or find anything like they represented was due, and we found that there were a lot of collection issues with their clients on some of the former alleged receivables.

Q. Going ahead to October 2000, that's

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A. As part of this agreement when we took that over -- let me go back a couple of steps. Plaza had offices and operation sales offices and accounting and everything in Los Angeles. We manufactured in Pittsburgh and fulfilled orders, manufactured and shipped where they said. Overstock and returns went to Plaza's facility in Arkansas and Plaza was reshipping some of those returned goods from Arkansas to fulfill other orders.

MR. REILLY: Wait. Who sent the invoices out?

THE WITNESS: Plaza in all cases sent the invoices out.

MR. REILLY: And Plaza's customers paid Plaza?

THE WITNESS: That's correct.

MR. REILLY: If they paid at all?

THE WITNESS: Yes.

A. Then it got to a time where Plaza could no longer afford to maintain its own operation. They were having troubles keeping track of their records and mostly they couldn't

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afford to pay the rent and keep their staff. They came to us and said look, would you do what we are doing here in the office, which we did, which was generating the invoice and collecting the money and the collections into the lock box. The lock box arrangement was that we got paid our manufacturing costs off the top and then we split 50/50, and those proceeds were put on the Plaza account.

MR. GIBSON: I will have more questions next time.

MR. SIEMINSKI: As will I. We are breaking for now to resume at a date to be agreed upon as mutually convenient.

(Signature waived.)

(Whereupon, the above-entitled matter was concluded at 4:35 p.m.)

Q. Did you in any way, and when I say you I mean you, Jack Napor, and to your knowledge anyone at WRS, advise Mr. Herklotz that the Services Agreement was going to be entered into?

MR. REILLY: One reservation before you answer that question. That presupposes that they had a duty to do that or that advising somebody else on behalf of Herklotz is tantamount to advising him. The question as I understand it is did he personally or anybody else personally talk to Mr. Herklotz.

MR. SIEMINSKI: I understand your objection because it was set forth in interrogatory answers, so I follow that and that is on the record. You qualified it in a personal way that I don't necessarily want the question to be limited to.

MR. REILLY: Did Jack or anybody else at WRS talk to Mr. Herklotz?

MR. SIEMINSKI: Right.

BY MR. SIEMINSKI:

Q. Let me try to put it in plain

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was contemplated under this Agreement about returns and how returns were to be handled.

A. Well, returns processing typically worked for customers as I outlined. Again, in Plaza's case they had established this separate return center. I can't tell you whether this was standard just because that's what the business was all about and what was typical or whether that was a specific discussion of that here. I don't recall anything being a specific discussion. I think that was just routine, that's what happens.

Q. Was it the intent in nonlegal terms of this Agreement to essentially have WRS take over that portion of Plaza's business that related to the tapes that Plaza had asked WRS to reproduce?

A. I'm not sure I understand your question.

Q. There was a situation where Plaza had asked WRS to reproduce a large number of tapes.

A. Right.

Q. That was done. There was a

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Q. To anybody. I just want to understand why there would be a reference to Dovenet on this document.

A. I don't know. Where do you see Dovenet?

Q. Under the column Batch I.D.

A. I'm on a different page than you are.

Q. The first sheet after Answer to Interrogatory No. 1.

A. I don't know why it is on there, but Dovenet is the new software. MCBA is the old software, so it may have been prepared partially from each different system, the two systems.

Q. Does this document reflect invoice amounts? Is that what it purports to represent? Purchase order amounts, what are the figures that are reflected here?

A. These are sales invoice amounts.

Q. In the Amount Remaining column, is that intended to be a running total?

A. I believe that column is the outstanding amount on each invoice.

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Q. If we would look to the dates of the invoices, let me phrase it this way, if we were trying to understand the dates of the invoices themselves would we look to the document date that is in the left-hand column?

A. I believe that's the case, yes.

Q. If I was trying to understand invoices that were generated after the date for instance of the Services Agreement I would identify the date of the Services Agreement and then all of the invoices after that date would have been generated by WRS after the date of the Services Agreement; is that fair?

A. I think that's correct.

Q. If you page through then to the Answer to Interrogatory No. 16, it is the next set of documents --

A. Okay.

Q. -- that's in reference to a question or set of questions about the lock box account. In response to a couple of questions about the date and amount of each deposit to the lock box account and the date and amount of each disbursement from each account WRS set forth

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EXAMINATION

BY MR. GIBSON:

Q. I just have a few quick ones. Your Interrogatories indicate the period of 17 months at $5,000 a month that you are due under the Services Agreement; is that correct?

A. Yes, but I don't believe any of those months have been billed and so none of them are reflected in the billings.

Q. What period of time were those 17 months, from the date of the Services Agreement forward 17 months?

A. Yes, that would be my --

Q. So October 1998 to roughly March 2000; would that be right?

A. February perhaps, but approximately.

Q. In your bankruptcy disclosure statement your counsel indicates there were problems with your software systems and manufacturing software and one another. The problems continued for an extended period of time including 17 months when WRS was unable to send clients statements of their accounts and

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where account balances were sometimes in two or more independent and incompatible software systems.

What period of time was that 17 months?

A. From the time we went on the new system, which would have been January 2000, to sometime late spring 2001.

Q. Say May 2001?

A. Somewhere in that ballpark, yes. But again those computer issues have nothing to do with, couldn't possibly have anything to do with any of the accounts we are talking about here of Plaza. In fact, both at 17 months just happens to be a coincidence. There is no correlation between those or the time frames.

Q. Page 1 of the document that was attached to Answer to Interrogatory No. 1, it says Plaza Entertainment on the top and then it has listed Origin, Type, Document Number, Check Number, Due Date, Audit Trail Code, Batch I.D. and Currency I.D., and then down below it has Document Date, Description, Discount Amount, Writeoff Amount, Document